CANADA STUDENT
LOANS PROGRAM

Review of the Government of Canada's Student Financial Assistance Programs

Loan Year 1998-1999

Human Resources Development Canada
Développement des ressouces humaines Canada

Canada

HRIC-025-08-01

Review of the Government of Canada's Student Financial Assistance Programs

Loan Year 1998-1999

Further Information on Student Financial Assistance

The CanLearn Interactive Web-site provides extensive information of value to students and parents planning for post-secondary education. An entire section of the site is devoted to financial issues. This provides access to the Student Need Assessment Software, a program that enables individuals to assess the student assistance available in specific circumstances. CanLearn also provides links to provincial and territorial student aid programs. It can be accessed at:

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Information about federal student assistance programs is available on the Internet at the Canada Student Loans Program Web-site:

http://www.hrdc-drhc.gc.ca/student_loans

Alternatively, please contact the Canada Student Loans Program at

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FOREWORD

I am pleased to present to all Canadians this *Review of the Government of Canada's Student Financial Assistance Programs* for the 1998-99 loan year.

The Canada Student Loans Program was created in 1964 to provide financial assistance for students at the post-secondary level. The program, and other forms of student assistance that have subsequently been introduced by the Government of Canada, is managed as a shared responsibility with provincial and territorial governments. Each year, over 350,000 Canadian students benefit from the Canada Student Loans Program, while the Government of Canada indirectly assists more than 175,000 other students through payments to Quebec, the Northwest Territories and Nunavut for their comparable programs.

Since its introduction, the Canada Student Loans Program has been periodically improved and additional components have been added to meet the evolving needs of post-secondary students. Among the measures introduced in recent years are Canada Study Grants, Debt Reduction in Repayment and enhanced Interest Relief. The Government of Canada also created the Canada Millennium Scholarships Fund, a $2.5 billion fund designed to provide, over a period of 10 years, more than $300 million per year in scholarships to students.

The continuing evolution of the Canada Student Loans Program is demonstrated by the introduction on August 1, 2000, of a new approach to the provision of loans. Directly financed loans have now replaced the previous arrangement under which loans were provided and administered by financial institutions.

The Government of Canada will continue to work with provincial and territorial governments, college and university administrators, student groups, and other stakeholders to improve the Canada Student Loans Program. In so doing, we will help to ensure that Canadians have access to the knowledge and skills they need to contribute fully to their own future and that of Canada.

Jane Stewart

Jane Stewart, P.C., M.P.
Minister of Human Resources Development Canada

INTRODUCTION

Purpose

This report is intended to provide Parliament, and Canadians generally, with information on the administration of the programs authorized by the *Canada Student Financial Assistance Act.* It reviews the performance of the Canada Student Loans Program for the 1998-99 loan year (August 1, 1998 to July 31, 1999) and provides financial information for fiscal year 1998-99 (April 1, 1998 to March 31, 1999).

Enhancing Access to Post-Secondary Education

In a knowledge-based world, wide access to post-secondary education is essential if a nation is to remain competitive, to create good jobs for its young people and to generate the wealth to support a high quality of life. Higher education is also a key element in providing health care and other social benefits, as well as in creating a vital culture and an effective democracy.

Canada has been one of the leaders in college and university education, having achieved a rate of participation that is among the highest in the world. This reflects the sustained efforts of governments and educational institutions, as well as the commitment of a population firmly convinced of the value of learning.

Access to post-secondary education requires both that there be sufficient numbers of places in high quality programs and that potential students not be unduly deterred from participation as a result of financial considerations.

Providing educational opportunities is primarily a responsibility of provincial and territorial governments and their institutions, with private sector institutions playing an important role in some areas, such as skill training. The federal government assists in a variety of essential ways, including fiscal transfers to provincial and territorial governments[1] and support for university research through the research granting agencies.[2]

Federal, provincial and territorial governments have long recognized that the costs of post-secondary education are beyond the means of many Canadian families. Government financial assistance programs for students play an important part in educational access for about half of all Canadian post-secondary students.

1 Through the Canada Health and Social Transfer (CHST).
2 Principally the Natural Sciences and Engineering Research Council (NSERC), Social Sciences and Humanities Research Council (SSHRC) and the new Canadian Institutes for Health Research (CIHR).

In addition, preserving student mobility is an important goal of the Government. Consequently, federal student aid programs are fully portable within Canada and Canada Student Loans may also be obtained by Canadian students for study abroad.

The Government of Canada has also made major efforts in recent years to address the special financial needs of certain students. For example, some students with disabilities encounter substantial additional costs while pursuing their education, while students with dependants, including single parents, often require relatively high levels of assistance. Such needs may best be met, at least in part, by funding that is not repayable. Likewise, borrowers who are unemployed or in low-paying jobs may need assistance in repaying their student loans.

Structure of the Report

The first part of this report discusses the major issues arising in the management of the Canada Student Loans Program and related financial assistance measures during 1998-99. This is followed by an examination of some of the key indicators of program performance in loan year 1998-99 compared to previous years. Finally, the section on Accountability presents program expenditures and revenues for fiscal year 1998-99 in relation to those for 1997-98.

Annex A provides an overview of how the student aid system works. It also provides examples of the financial assistance students in various circumstances can currently expect to receive from the Canada Student Loans Program and from representative provincial and territorial aid programs.

Annex B outlines the development of student aid in Canada from its origins soon after World War I, through the introduction of the Canada Student Loans Program in 1964, to major program developments during the 1990s.

Annex C briefly reviews how student aid systems function in a number of other OECD countries.

THE CANADA STUDENT LOANS PROGRAM 1998-99

For the Canada Student Loans Program, 1998-99 was primarily a year of consolidating and implementing new measures while building the partnership with provinces and territories. Major new initiatives for students had been announced by the Government of Canada in 1997 and 1998, notably the far-ranging Canadian Opportunities Strategy, and most of these measures began to have a major impact during the 1998-99 loan year.

Implementing the Canadian Opportunities Strategy

In the past few years, there has been heightened public awareness of the importance of student assistance. Consultations with stakeholder groups, including students, led the Government of Canada to introduce a number of important amendments and new initiatives.

In particular, the 1998 Budget introduced the Canadian Opportunities Strategy, a massive package of reforms addressing the concerns of Canadians about the affordability of post-secondary education. The Strategy was aimed at improving the functioning of many of the measures under the *Canada Student Financial Assistance Act.*

New Canada Study Grants

A new Canada Study Grant for students with dependants came into effect in 1998-99. Those who can demonstrate financial need in excess of the maximum amounts available in combined federal and provincial loans may be eligible for a Canada Study Grant, up to a maximum of $3,120 per year.

The existing Special Opportunity Grants were also renamed Canada Study Grants at this time. These provide non-repayable assistance to students with permanent disabilities, to female doctoral students in certain fields and to high-need part-time students (see Annex A for further details).

Further Assistance with Student Loan Repayment

For 1998-99, the existing Interest Relief provisions of the Canada Student Loans Program were substantially improved under the Canadian Opportunities Strategy by extending the period of eligibility for borrowers from 18 to 30 months. In addition, the income thresholds for interest relief were raised by 9%. Moreover, the new 30 months of eligibility was made available throughout the life of the loan, and not just during the first five years, as was previously the case.

Students who exhaust 30 months of interest relief and still require assistance in meeting their Canada Student Loan obligations are now required to extend the repayment period of their loans from 10 to 15 years, thus reducing the monthly payment. If this reduction is still not sufficient to allow them to maintain their loans in good order, new provisions allow interest relief to be extended to as much as 54 months.

A new Debt Reduction in Repayment (DRR) measure came into effect on August 1, 1998, enabling the program to pay off a portion of the outstanding loan on behalf of borrowers who have exhausted interest relief and have very high debt-to-income ratios. The maximum assistance is 50% of the outstanding loan amount or $10,000, whichever is less.

To provide tax relief for Canadians repaying their student loans, the federal Income Tax provisions were changed to allow individuals, from taxation year 1998 onwards, to claim a tax credit of 17% on interest paid on all government student loans (federal, provincial or territorial).

Improved Program Administration

In order to improve the integrity of the Canada Student Loans Program, the Government of Canada tightened eligibility for student assistance to deny aid to students with a history of credit abuse. Students are not denied assistance, however, if it can be shown that circumstances beyond their control led to their poor credit history.[3]

At the same time, major efforts were launched to improve communications with student borrowers in order to ensure that they understand both their obligations and the range of assistance available to them.

Borrowing from Registered Retirement Savings Plans

Changes in Registered Retirement Savings Plan (RRSP) legislation were introduced in 1998, allowing Canadians to withdraw money tax-free from their RRSPs for the purpose of lifelong learning. Such withdrawals from RRSPs for education are now treated like those for first-time homebuyers. Up to $10,000 may be withdrawn from an RRSP per year of full-time study, to a total of $20,000 over a maximum of four years. The full amount must be repaid to the RRSP within 10 years.

3 The new regulations mean that students over the age of 22 with three instances of credit abuse (defined as being in arrears in payments for 90 days or more on debts of $1,000 or more) in the past three years are ineligible for Canada Student Loan assistance.

Enhanced Registered Education Savings Plans

The attractiveness of the Registered Education Savings Plans (RESP) as a vehicle for investing in learning was significantly enhanced in 1998 through the introduction of the Canada Education Savings Grant (CESG). The Government of Canada now provides a matching grant of 20% on the first $2,000 of contributions made each year to an RESP for a beneficiary up to the age of 18. The value of this grant is therefore up to $400 per year. Furthermore, the contribution room may be carried forward, thus allowing a family that has been unable to make full contributions for one or more years to catch up in later years. In addition, the annual maximum contribution was increased to $4,000.

Other new provisions were introduced for cases where the beneficiary does not pursue post-secondary education. In such circumstances, a contributor may either transfer the interest and/or capital gains into unused RRSP contribution room or claim it as income in the year the RESP expires (subject to a 20% penalty in addition to regular income tax).

Introduction of the Canada Millennium Scholarships

The Canada Millennium Scholarship Foundation was created by the Government in 1998-99 with an endowment of $2.5 billion. This arms-length organization will draw down the endowment over a 10-year period, each year providing scholarships worth a total of $300 million to approximately 100,000 students who demonstrate both financial need and merit.

Canada Millennium Scholarships will supplement the resources available to students under the Canada Student Loans Program and the various provincial and territorial student assistance programs.[4] One important result for the beneficiaries will be substantially reduced debt load upon graduation.

The Role of Financial Institutions

From its inception, the Canada Student Loans Program used financial institutions such as banks and credit unions to provide loans to students.

Prior to August 1, 1995, loans were guaranteed by the federal government in case of the borrower’s death or default. Where such loans are still outstanding, they continue to be administered under the earlier system.

4 The first scholarships were issued for the 1999-2000 academic year. They are available in jurisdictions throughout Canada, including in those that do not participate in the Canada Student Loans Program.

Under a new approach introduced in 1995, participating financial institutions became responsible for recovery of loans in repayment, for which they were paid a "risk premium." This risk premium approach continued during 1998-99, but discussions were already under way with respect to future arrangements.[5]

The Role of Provinces and Territories

In delivering the Canada Student Loans Program (CSLP) during 1998-99, the Government of Canada continued to work closely with participating provincial and territorial governments, which administer and deliver CSLP as well as their own programs of student assistance.[6] Thus students can normally deal with a single government agency when obtaining financial assistance.

The Government of Canada and participating jurisdictions work together to develop common need assessment criteria for their respective assistance programs. This makes it possible for participating provincial and territorial authorities to process applications for both Canada Student Loans and provincial student assistance at the same time. The federal government pays these provinces and territories a fee to compensate them for administering the federal program in their jurisdiction.

A second area of cooperation is in meeting student financial needs. Since 1994, the arrangement has been that the federal government would, through a Canada Student Loan, cover up to 60% of a student's assessed need, to a maximum of $165 per week of study.

Each province has its own method of determining the extent to which it meets the student's remaining financial need; in most participating jurisdictions students can receive up to $110 per week from the provincial or territorial assistance program, generally in the form of a loan. Thus, the typical maximum total amount of student assistance is $275 per week.[7] In some cases, a Canada Study Grant could supplement this amount, while some provinces may also provide additional support under certain circumstances.

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5 The ultimate outcome was the introduction on August 1, 2000, of a new directly financed loan system. See Annex B.

6 Jurisdictions that do not participate receive an alternative payment from the Government of Canada if they provide student assistance measures that are substantially similar to the federal program. Quebec, the Northwest Territories and recently Nunavut have chosen this approach.

7 Most student borrowers have lower needs and qualify for smaller loans.

Harmonization with Provinces and Territories

During 1998-99, the Government of Canada continued working with participating jurisdictions to improve harmonization between the Canada Student Loans Program and provincial or territorial financial assistance programs. As a result of this cooperation, the signing of agreements with the governments of Ontario and New Brunswick was announced on May 4, 1999.[8]

Under these agreements, it is intended that a single student loan for the combined amount of federal and provincial assistance is to be provided by the collaborating governments, thus considerably simplifying the arrangements for individuals in both taking out and repaying loans. As well, the agreements would ensure portability of student assistance to public or private institutions across Canada. The agreements would also provide for joint funding of interest relief and of debt reduction measures to assist borrowers encountering financial difficulty in the repayment phase.

8 With the introduction of direct financing of student loans by the Government of Canada, the implementation of these agreements has been postponed to 2001.

PROGRAM PERFORMANCE

This section provides information on the operation of the Canada Student Loans Program in the 1998-99 loan year.
Data are from Main Estimates and Statistics Canada surveys.

Borrowing

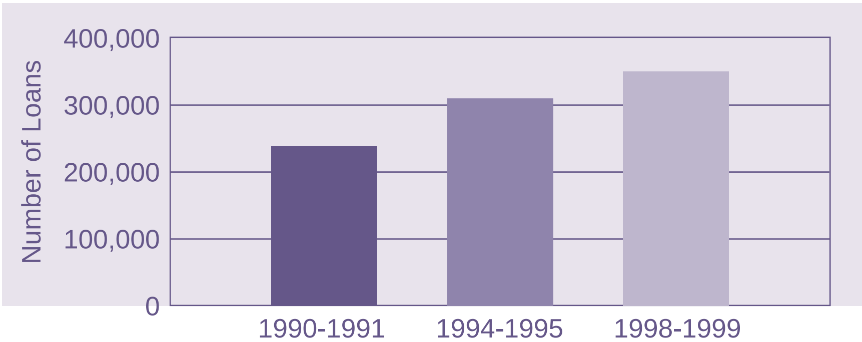
Loans for Full-Time Students

In 1998-99, 358,931 full-time students made use of the Canada Student Loans Program (CSLP). As shown in Chart 1, the number of borrowers has increased some 49% since 1990-91.
Full-time students using the CSLP in 1998-99 borrowed an average of $4,654 each, for a total of $1.7 billion.

The total value of outstanding loans under the program as of March 31, 1999 was $7.9 billion. This includes both guaranteed loans (issued prior to August 1, 1995) and those issued subsequently, for which financial institutions are responsible.

Chart 1:

Full-Time Students Borrowing under the Canada Student Loans Program 1990-91 to 1998-99



The federal amount represents 60% of the assessed need, to a maximum of $165 per week ($5,610 for a typical 34-week academic year). Most borrowers receiving loans under CSLP also receive a provincial loan. Arrangements vary significantly among provinces, but the average CSL loan of $4,654 typically corresponds to a provincial loan of $3,103 (40% of the assessed need), for combined federal-provincial borrowing of $7,757. For students receiving the maximum federal loan amount of $165 per week and the corresponding typical provincial amount of $110, the maximum available in loans for a 34-week academic year would be $9,350.

Overall, approximately 43% of full-time students in participating provinces and Yukon at the university and college levels borrowed under the Canada Student Loans Program in 1998-99. According to data from the 1995 Graduate Survey, over 54% of college and university students borrow at some point in their post-secondary careers.[9]

Loans for Part-Time Students

Under the Canada Student Loans Program, loans may be made available to part-time students, though this aspect of the program has never been widely used. As shown in Table 1, in 1998-99, 3,036 part-time students took out loans under the program, less than one per cent of the full-time number but an almost fourfold increase since 1990-91.[10]

The average part-time loan was $2,507 in 1998-99, down slightly from 1994-95, but an increase of nearly 50% over the 1990-91 average.[11]

Table 1

Canada Student Loans for Part-Time Students
1990-91 to 1998-99

	1990-1991	1994-1995	1998-1999
Expenditure	$1,358,000	$5,900,000	$7,611,306
Number of Loans	803	2,112	3,036
Average Value	$1,691	$2,794	$2,507

Borrowing by Women and Men

Since the 1980s, a majority of borrowers under the CSLP have been women; in 1998-99 the proportion was 55%. The increase over previous decades mirrors the overall trend in enrolments, with women becoming the majority among postsecondary students during the 1980s, especially at the undergraduate level.

As shown in Table 2, there was little difference between the amounts borrowed by women and men. In 1998-99 women who took advantage of the CSLP borrowed, on average, $4,702. This represented $110 (2%) more than their male counterparts.[12]

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9 National Graduate Survey, Statistics Canada

10 The performance numbers throughout refer only to participating provinces and Yukon. Quebec, the Northwest Territories and Nunavut operate their own student assistance programs, with the aid of an alternative payment from the federal government.

11 Part-time students may also be eligible for Canada Study Grants. See page 15.

12 As noted above, in most cases, this amount represents about 60% of the student's borrowing in a given year, with a provincial loan making up the rest.

Table 2

Number of Full- Time Canada Student Loans by Gender

	1990-1991	1994-1995	1998-1999
Female	133,458	170,812	200,556
Male	107,085	144,858	158,375
Total	240,543	315,670	358,931

Borrowing by Province and Territory

Table 3 shows the number of fulltime undergraduate students receiving Canada Student Loans in each participating province and territory and the percentage change from 1990-91 to 1998-99. The average increase over this period was 49%, but individual figures ranged from declines of 6% to 17% in Manitoba, Yukon and Saskatchewan to an increase of over 85% in Ontario.

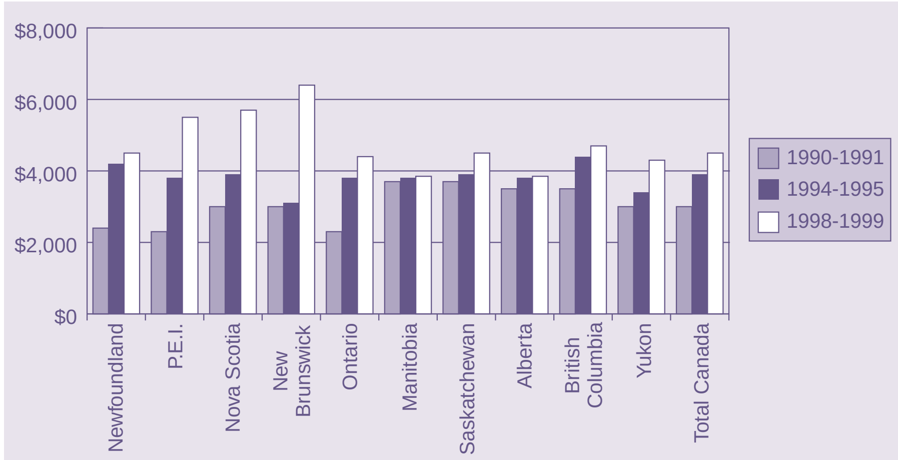
Table 3

Number of Canada Student Loan Borrowers by Participating Province or Territory

	1990 -91	1994 -95	1998 -99	Change 90-91 to 98-99
Newfoundland	12,960	12,478	19,577	51%
P.E.I	2,451	2,065	2,801	14%
Nova Scotia	14,957	13,430	17,341	14%
New Brunswick	13,040	10,422	15,049	15%
Ontario	100,623	180,644	185,893	85%
Manitoba	11,801	9,629	9,767	-17%
Saskatchewan	15,306	14,663	14,422	-6%
Alberta	37,193	32,656	37,971	2%
British Columbia	31,911	39,397	55,582	75%
Yukon	301	286	258	-14%
Total for Canada	240,543	315,670	358,931	49%

Chart 2 shows changes in average CSL borrowing by jurisdiction. Overall, the average annual amount borrowed per student increased 63% over the period from 1990-91 to 1998-99.

Chart 2:
Average CSL Amount by Province/Territory
1990-91 to 1998-99



Borrowing by Type of Educational Institution

The number of borrowers studying at the university level increased by approximately 26% between 1990-91 and 1998-99, as is shown in Table 4. For the community college sector, the increase for the same period was over 72%, while the number of those studying in private vocational institutions who borrowed under the CSLP rose nearly 118%. The numbers are consistent with data showing that total fulltime university enrolments have increased moderately for most of this decade, while public and private college enrolments have increased substantially more.

Table 4

Canada Student Loans by Type of Institution

	1990-1991	1994-1995	1998-1999
Universities	135,545	164,355	171,626
Colleges/Institutes	75,253	110,083	129,801
Private	26,201	39,601	57,197
Other*	3,544	1,631	307
Total	240,543	315,670	358,931

* Represents loans to students where the educational institution was not reported by the provinces to the CSLP.

In 1998-99, students in community colleges who borrowed under the CSLP received an average amount of $4,210, compared to $4,714 for those in university and $5,470 for those in private sector educational institutions. These amounts reflect, in part, variations in the typical level of fees for these types of institution.

Given that average annual borrowing among students in the private college sector is significantly higher than among other students, the rapid increase in their numbers has particularly important cost implications for the program.

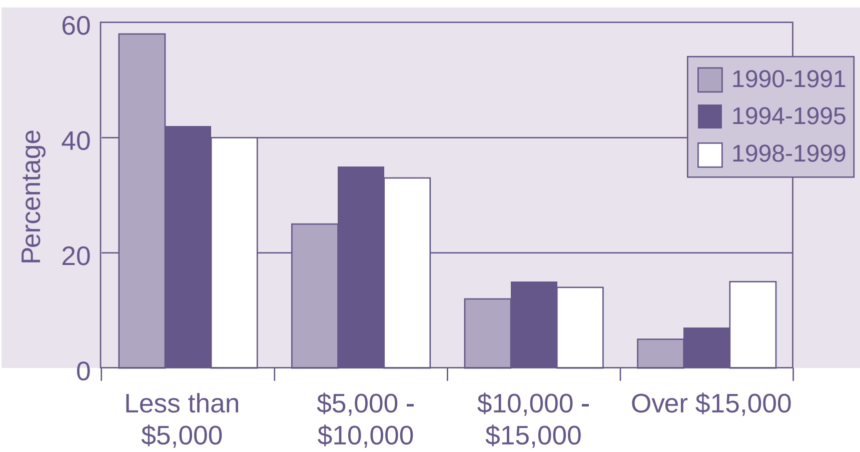
Student Indebtedness

Rising fees and other costs in recent years, together with substantial increases in loan limits in 1994, have led to a steady rise in the level of indebtedness resulting from student loans. Chart 3 shows borrowers still in school in participating provinces and the amount they owed under the CSLP in 1998-99 as compared with students in 1990-91 and 1994-95. Over this whole period, among students who borrowed under the CSLP, the proportion owing $10,000 or less declined from 84% to 72%. In the same period, the proportion owing over $15,000 nearly tripled, from 5% to 14%.

Since Canada Student Loans normally account for only 60% of a student's borrowing, with the other 40% in the form of a provincial or territorial loan, the above amounts do not reflect the full indebtedness of students. Using the normal proportions, the lowest category in Chart 3 corresponds to a total federal and provincial/territorial debt of less than $8,333, while the highest corresponds to $25,000 or more.

Chart 3:

CSL Debt of Full-Time Students
1990-91 to 1998-99



A more detailed look at the average total debt load of borrowers is provided by data made available through information-sharing between federal and provincial/ territorial student aid programs. Table 5 shows the components of average total debt load for 1997-98 loan year (the most recent year for which data are available). The numbers are for borrowers who had completed their studies and were therefore required, within six months, to consolidate all of their student loans with the financial institution(s) that provided them.

In jurisdictions participating in the Canada Student Loans Program — all except Quebec and the Northwest Territories — qualified students are generally eligible for both a Canada Student

Loan (CSL) and a provincial/territorial loan. In some cases, however, students may only cash one of their loans. In other cases, particular educational institutions or programs may be recognized for student aid under the federal program but not under the provincial/territorial program (or vice versa). Finally, some provinces (such as Saskatchewan and Alberta) may apply somewhat different needs assessment criteria from those used for the federal program. For all these reasons, within each jurisdiction, the numbers of federal and provincial/territorial loans are not equal.

For Quebec, which does not participate in the Canada Student Loans Program, the data shown reflect loans provided by the provincial student aid system.

Table 5

Average Debt of Student Borrowers who Consolidated Loans in 1997-98 Canada Student Loan (CSL) and Provincial/Territorial Programs

Province/ Territory	Number of Borrowers CSL	Number of Borrowers Prov./Terr.[d]	Average Debt CSL	Average Debt Prov./Terr.	Average Total Student Loan Debt[a]
Newfoundland	9,366	7,092	$8,900	$6,248	$13,631
PEI[b]	1,269	1,269	$8,458	$5,263	$13,037
Nova Scotia	7,950	7,802	$7,923	$4,469	$12,309
New Brunswick	6,261	5,633	$9,252	$5,123	$13,861
Quebec[c]	NA	54,372	NA	$13,181	$13181
Ontario	94,923	68,874	$8,979	$6,995	$14,054
Manitoba	5,747	4,505	$7,556	$3,741	$10,489
Saskatchewan[e]	6,311	6,943	$9,751	$2,445	$11,973
Alberta[f]	19,947	23,156	$8,349	$3,527	$11,387
British Columbia	24,241	28,227	$8,644	$3,326	$11,500
Yukon	169	NA	$6,609	NA	$6,609
NWT[g]	NA	NA	NA	NA	NA
Canada[h]	-	-	-	-	$13,056

Notes

a. The average total student loan debt is a weighted average of federal and provincial/territorial average loans.
b. Provincial numbers for PEI were not available. Those shown are estimates.
c. Quebec does not participate in the Canada Student Loans Program but provides its own similar program, for which it receives an alternative payment from the Government of Canada.
d. The numbers of students receiving provincial loans are provided by the provinces.
e. The number of provincial borrowers in Saskatchewan is higher than CSL borrowers as Saskatchewan funds some short-term programs (4 to 5 weeks) that the CSLP does not fund.
f. The number of provincial borrowers in Alberta is higher than CSL borrowers as Alberta funds some short-term programs that the CSLP does not. Alberta issues provincial loan funding for programs less than 12 weeks and loans issued under the Labour Market Agreement. These consolidations are not reflected in CSL statistics, as these students did not receive CSL funding.
g. NWT does not participate in the Canada Student Loans Program. Data on student loans issued by NWT are not available.
h. The total for Canada was calculated as a weighted average between provincial and federal student debt

NA – Not available.

Borrower Defaults

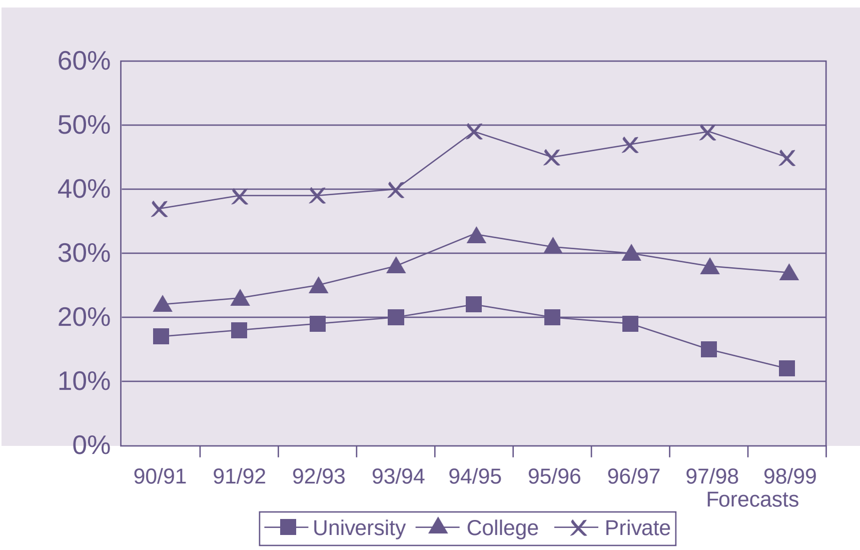
In the context of the Canada Student Loan, the term "default" applies to loans consolidated prior to August 1, 1995 that are in repayment arrears of 90 days or more. Such loans are guaranteed by the Government of Canada and can be claimed by the financial institution involved.[13]

Once such a guaranteed Canada Student Loan has been submitted by a bank, credit union or caisse populaire under the guaranteed loan provisions, it belongs to the Government of Canada. Recovery is contracted to a collection agency or undertaken by the Government using the income tax system to withhold any refunds available to individuals with outstanding loans. In 1998-99, recoveries on defaulted student loans (minus collection agency costs) were $164 million.

Default rates vary considerably according to the type of educational institution. As Chart 4 shows, the default rate for borrowers who attended university has ranged from 13% to 23% since 1990-91, while that for the community college sector has ranged from 23% to 34%. The private college sector is higher again, with default rates of 36% to 49%. These rates are based not on student numbers but on the amount of debt involved. They indicate the value of loans on which some kind of action was required and do not necessarily represent the magnitude of losses to the program; in many cases, collection action results in full or partial recovery of the amount outstanding, so that eventual costs to the program are substantially lower than these initial default rates.

Chart 4:

CSLP Default Rates, 1990-91 to 1998-99



13 For loans issued since August 1, 1995, the lending institution can no longer claim from the federal government in the cases of default.

One way to reduce defaults is to improve communication between lenders and borrowers. A 1997 survey[14] showed that 52% of CSL defaulters only discovered they were in default when they were contacted by a collection agency. Consequently, major efforts have been made by lenders in recent years to ensure that borrowers are aware of their status and responsibilities; these efforts, as well as supportive measures such as Interest Relief, may be at least partly responsible for the decline in defaults among university and college graduates since 1994-95. Improving labour market opportunities have no doubt also contributed to the reduced level of defaults.

Interest Relief and Debt Reduction

The CSLP Interest Relief program has expanded rapidly during the 1990s. From 42,321 students assisted in 1990-91, the number rose more than threefold to 148,488 in 1998-99. The value of the Interest Relief rose even more substantially as more generous provisions were introduced. From $9.1 million in 1990-91 the amount rose to $67.4 million in 1998-99, a sevenfold increase.

The Debt Reduction in Repayment program only came into effect in 1998 and is intended to assist relatively small numbers of former students encountering serious long-term difficulties in repayment. In 1998-99, 44 borrowers were assisted, the average debt reduction being $4,036 each. The total cost of the debt reduction payments was $177,581.

Canada Study Grants

The Canada Study Grants (CSG)[15] program has evolved and expanded considerably through the 1990s. In the 1998-99 loan year, an estimated total of 56,900 CSGs were issued at a cost of $74 million. The newly introduced Canada Study Grants for Students with Dependants were responsible for over 80% of total spending under this program.

- CSGs for Students with Permanent Disabilities were provided to approximately 4,150 students at a total cost of $7.9 million, an average of $1,904 per student.
- CSGs for High-Need Part-Time Students were provided to approximately 5,675 students at a total cost of $4.6 million, an average of $810 per student.
- CSGs for Female Doctoral Students in certain disciplines were provided to approximately 180 students at a total cost of $0.5 million, an average of $2,778 per student.
- CSGs for Students with Dependants were provided to approximately 46,900 students at a total cost of $60.9 million, an average of $1,300 per student.

14 Ibid.

15 Formerly the Special Opportunity Grants (SOG) program.

Mobility

One of the objectives of the Canada Student Loans Program has always been to ensure that students have the opportunity to study in the province of their choice, thus maximizing their range of choice and encouraging a healthy interchange between young Canadians. Hence, the program was designed to be fully portable between provinces. In recent years, increasing numbers of provincial and territorial programs have also been made portable, thus further enhancing opportunities available to students.

The Canada Student Loan Program also contributes to international mobility for Canadian students by providing loans to qualified students for study at designated institutions outside Canada.

Table 6 shows how mobility varies among CSLP borrowers in participating jurisdictions. Some 51% of student borrowers from Prince Edward Island study in another province, while 100% of those from Yukon study in the south. In both cases, these figures reflect limits on the range of education programs available in the home jurisdiction.[16] Among other provinces, the proportion of CSL borrowers studying outside their home province ranges from 25% in Newfoundland to 9% in Ontario.

Table 6

Mobility of Students Borrowing Under CSLP, 1998-99

Province/Territory of Residence	Proportion of CSLP Recipients Studying Outside Province of Residence
Newfoundland	25%
Prince Edward Island	51%
Nova Scotia	19%
New Brunswick	27%
Ontario	9%
Manitoba	17%
Saskatchewan	14%
Alberta	16%
British Columbia	18%
Yukon	100%

These numbers do not necessarily correspond to the overall proportion of students studying outside their home jurisdictions; for one thing, students who study elsewhere generally encounter higher costs and therefore are more likely to be among those qualifying for a student loan.

16 To facilitate such mobility, Prince Edward Island, Nova Scotia and New Brunswick collaborate through the Maritime Provinces Higher Education Commission.

PROGRAM ACCOUNTABILITY

Table 7 provides financial data on the operation of the Canada Student Loans Program in 1997-98 and 1998-99. These data are reported for fiscal years (April 1 to March 31), rather than loan years (August 1 to July 31).

Table 7

Statutory Expenditures for the Canada Student Loans Program – Fiscal Years 1997-98 and 1998-99[a]
(millions of dollars)

	1997-1998	1998-1999
Claims paid	350.9	152.2
Interest subsidy	163.7	210.2
Alternative payments to Quebec and the Northwest Territories	74.9	160.9
Collection costs	24.9	24.9
Interest relief/Debt Rrelief	37.9	58.5
Loans forgiven	8.1	8.3
Risk premium	58.5	75.5
Special Opportunity Grants[b]	14.8	N/A
Canada Study Grants[c]	N/A	108.8
Administrative fees to provinces	9.7	9.5
Put-back	0.0	0.5
Total Statutory Expenditures	**743.4**	**809.3**
Recoveries by collection agencies, legal agents and CSLP	150.6	160.8
Set-offs of income tax refunds	20.9	28.0
Total Revenues[d]	**171.4**	**188.8**
Number of claims paid	46,969	34,033

Notes
a. The fiscal year of the Government of Canada runs from April 1 to March 31.
b. Special Opportunity Grants were superseded in 1998-99 by Canada Study Grants.
c. Canada Study Grants included a major new element for students with dependants.
d. Detail by component will be available in the 2000-2001 Departmental Performance Report.
N/A – not applicable

Explanation of Expenditures and Revenues

Claims paid refers to money paid by the Government of Canada to financial institutions for Canada Student Loans that had gone into default under the guaranteed loan system in effect prior to August 1, 1995. It also covers the costs of guaranteeing loans to minors, and of defaults that occur due to the death or disability of the borrower.

The decline in claims from 1997-98 to 1998-99 reflects the continuing effect of the new risk-premium agreements signed in 1995 with participating financial institutions.

Interest subsidy represents the cost to the Government of paying interest on loans while the borrower is still in school. It is an expenditure whose size is determined both by the number of program participants and by current interest rates. While the general downward trend in interest rates over the past decade has offset the large increase in program participation, interest rate increases in 1998-99 were primarily responsible for the rise in this expenditure from 1997-98.

Collection costs: For loans issued prior to August 1, 1995, once the Government of Canada has paid a claim to the financial institution, it takes responsibility for collecting from the borrower. This usually involves sending the loan to a collection agency, which receives a fee for its services based on the amount recovered.

Risk premium: Under the provisions of the 1995 agreement with lending institutions, the government paid lenders a risk premium based on the value of loans consolidated for repayment in that year.

Special Opportunity Grants: Introduced in 1995, these non-repayable grants assisted growing numbers of students with particular financial requirements: students with disabilities, women doctoral students in certain fields, and high-need part-time students.

Canada Study Grants: In 1998, the existing Special Opportunity Grants were replaced by Canada Study Grants and a new provision for high-need students with dependants was added. The latter was responsible for most of the substantial increase in expenditure between 1997-98 and 1998-99.

Administrative fees: Pursuant to the *Canada Student Financial Assistance Act*, the Government of Canada has in recent years entered into arrangements with participating provinces for administration of the CSL program. Fees to provinces are calculated using a basic operating cost and a percertificate component. In addition, funds are available to fund joint federal-provincial-territorial initiatives.

Alternative payments to Quebec and the Northwest Territories are calculated as a fraction of other CSLP expenditures during the relevant loan year. The fraction itself varies somewhat, since it is related to the size of each jurisdiction's youth population, but changes in expenditures on claims, interest and other program costs are the main cause of fluctuations from year to year in alternative payments.

Alternative payments roughly doubled between 1997-98 and 1998-99. This reflects, in part, major claims expenditures that were paid late in the 1997-98 loan year, and thereby fell into the 1998-99 fiscal year.[17] In addition, expenditures on the new grants for students with dependants added substantially to the base from which alternative payments were calculated.

Loans forgiven represent those loans for which the Government has paid the full amount to a participating financial institution and is not seeking repayment from the borrower. This applies in cases where the borrower has died or has become permanently disabled to the extent that loans cannot be repaid without undue hardship.

Recoveries represent government revenue from the collection of loans on which claims had previously been paid. The government may also garnish income tax refunds from borrowers who have previously defaulted on their loan and have not yet made alternative repayment arrangements. This revenue is reported separately as *Set-offs from income tax refunds*.

Overview of Expenditures and Revenues

Between 1997-98 and 1998-99, statutory expenditures under the program increased some 9%, while revenues increased 10%. Consequently, the net cost of the program increased 8%. This reflected the continuing increase in both numbers and amounts of loans issued, as well as the major increase in expenditures on grants resulting from introduction of the new Canada Study Grant for Students with Dependants. Other factors included the rise in interest rates experienced in 1998-99, more generous provisions for Interest Relief and the increase in alternative payments to Quebec and Northwest Territories.

Offsetting the various increases in expenditure was a decline of nearly $200 million from 1997-98 to 1998-99 in the cost of claims paid for guaranteed loans. Not only did numbers of guaranteed loans outstanding decline, but also the rate of default improved.

17 To be specific, expenditures incurred between April 1, 1998 and July 31, 1998 relate to the 1997-98 loan year but are included in the 1998-99 fiscal year.

CONCLUSION

During 1998-99, the Government of Canada continued to improve and develop the programs under the *Canada Student Financial Assistance Act*, including the Canada Student Loans Program. This was a year primarily focussed on the implementation of previously announced new measures, particularly those that formed part of the Canadian Opportunities Strategy.

Overall, the 1998-99 loan year was a period during which major efforts were made to address the changing needs of students in order to promote equality of access to post-secondary education. These included far-reaching improvements aimed particularly at helping students and former students in greatest financial need. Improvements were also made in the administration of the program, both to improve access for students and to enhance efficiency. These efforts included continuing work to develop closer cooperation with provincial and territorial governments and to communicate better with clients.

One of the principal themes of the improvements introduced in 1998-99 was to ensure that rising costs of post-secondary education did not lead to excessive debt loads and unreasonable repayment requirements for student borrowers. Major elements in this effort included: improved communication; greatly expanded non-repayable aid in the form of Canada Study Grants; increased and extended provisions for Interest Relief; and the new Debt Reduction in Repayment. These targeted measures were carefully designed to address the needs of students and former students at points where they could do the most good at reasonable cost.

Major development work was completed during 1998-99 on the Canada Millennium Scholarships initiative. This is a new and massive commitment to address the financial needs of students while at the same time promoting merit in post-secondary education. Operating at arm’s length from government, the Canada Millennium Scholarship Foundation will disburse 100,000 scholarships per year from the $2.5 billion fund established by the Government of Canada, thus complementing the Canada Student Loans Program.

Perhaps the most difficult issue facing the program at the end of the 1998-99 loan year was the future of arrangements with financial institutions. The elimination of guarantees for loans issued from August 1, 1995 substantially reduced this aspect of program operating costs, but financial institutions were very concerned about the relatively high rate of defaults for which they had become responsible. The challenge was therefore to develop an arrangement that was both cost-efficient for the program and acceptable to financial institutions.[18]

18 The negotiations with financial institutions were ultimately unsuccessful. As a result, the government introduced directly financed loans on August 1, 2000.

ANNEX A:
HOW STUDENT ASSISTANCE WORKS

Introduction

This annex provides an overview of the Canada Student Loans Program (CSLP) in participating provinces and territories.[19] In the first part, the basic features of CSLP are outlined. In the second, representative cases are presented to show the assistance available to students in various circumstances.[20]

Canada Student Loans: The Basics

Types of Loan

- *Canada Student Loans for fulltime students:* These apply to students with demonstrated financial need taking 60% or more of a full course load in a program of at least 12 weeks duration at a designated educational institution. Such loans can cover up to 60% of a student's assessed need, to a maximum of $165 per week. The remaining 40% of assessed need is the responsibility of the provincial or territorial student assistance program.
- *Canada Student Loans for part-time students:* Students taking between 20% and 59% of a full course load may be eligible for part-time CSL assistance of up to $4,000 in total outstanding principal.

Qualifying for a Canada Student Loan

In participating jurisdictions, a single need assessment process serves both federal and provincial/territorial student aid programs.

Costs
Education costs include tuition fees, other compulsory fees, and books and supplies (up to a maximum of $3,000). Living costs are calculated according to a standard living allowance based on average costs of food, shelter, transportation and a basket of other goods in each province. The allowance varies according to whether students are living away from home or have dependants.

Resources
Students are expected to make contributions from their earnings before and during study, as well as from any savings they may have. They may also be asked to make contributions out of assets such as cars and RRSPs if these items are valued over a certain amount. Dependant and married students must have their parents' or

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19Quebec, the Northwest Territories and Nunavut operate their own comprehensive student aid systems and receive alternative payments from the Government of Canada.

20 Detailed information on student aid is available from CanLearn (www.canlearn.ca) and other sources listed at the front of this report, as well as from provincial and territorial student assistance authorities.

spouses' incomes assessed. The expected contribution, if any, will vary according to income and family size.

Assessed Need
The student's "assessed need" is calculated by subtracting resources from costs. If costs exceed resources, then the student is eligible for financial assistance.

Obtaining the Loan

As the program operated in 1998-99, the student would approach a participating financial institution (a bank, caisse populaire or credit union) to obtain the loan.[21]

The provinces and territories arrange for the disbursement of funds covered by their student assistance programs.

InSchool Interest Subsidy

Under the CSLP for full-time students, the Government of Canada pays the interest on loans for as long as the student continues to be enrolled in full-time studies, and provincial student assistance programs offer similar subsidies.[22]

Repayment

Borrowers are encouraged to begin repayment of their loans as soon as possible after they cease to be enrolled in fulltime studies, as interest begins to accumulate immediately. There is, however, a "grace period" of six months to allow for their transition to the labour force. The borrower is liable for interest that accrues on CSLs during this period.

Consolidation and Repayment of Loans
Before the end of the six month grace period, the borrower must consolidate his or her Canada Student Loans and begin repayment. A typical period of repayment is 10 years, but the borrower can arrange to pay off the loan in a shorter or longer time. Once the loan has been consolidated, the borrower must make regular monthly payments.

Repayment of provincial/territorial student loans is arranged separately and may follow a different schedule.

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21 The Government of Canada assumed responsibility for the direct administration of Canada Student Loans on August 1, 2000. Third parties, such as financial institutions, may be involved in disbursing funds on behalf of the program.

22 Repayment of CSLP for part-time students begins immediately; there is no interest subsidy.

Interest Relief
To help borrowers experiencing periods of unemployment or unusually low income, the CSLP can provide assistance by putting repayment "on hold" for a limited period.

This is accomplished through the Interest Relief program, under which the government makes the interest payments on an outstanding student loan and suspends payment of the principal. Interest relief is granted for three months at a time, up to a maximum total of 30 months.

A borrower who is still experiencing financial hardship after exhausting the normal maximum of 30 months of interest relief may qualify for Interest Relief benefits to a maximum of 54 months. A borrower who makes use of additional Interest Relief is required to extend the loan repayment period to 15 years.

Debt Reduction in Repayment
Borrowers who have exhausted 54 months of Interest Relief and remain in financial difficulty five years after ending their studies may have their loan principal reduced if their annual payments exceed a certain percentage of their income. The maximum amount of this debt reduction is $10,000 or 50% of the principal of the loan, whichever is less.

Other Forms of Assistance: Canada Study Grants

Canada Study Grants (CSG) are non-repayable aid designed to help certain students with particularly high need. There are four types of CSG:

Grants for Students with Dependants: Students with children or other dependants who can demonstrate financial need in excess of established amounts in combined federal and provincial loans may be eligible for a Canada Study Grant, up to a maximum of $3,120 per year.

Grants for Students with Disabilities: Need-based grants of up to $5,000 per year are designed to offset the exceptional education related costs associated with permanent disabilities such as visual impairment, deafness, a physical disability, and a learning disability. Eligible costs include technical aids, note takers, tutors, interpreters and specialized transportation.

Grants for Women Doctoral Students: These grants of up to $3,000 per year for up to three years are designed to assist female doctoral students with demonstrated financial need. To qualify they must be enrolled in a discipline for which women's share of total national enrolments at the doctoral level has been below 35% over the past three years.

Grants for high-need part-time students: Amounts of up to $1,200 per year are available to help students who cannot study full-time and whose income falls below a prescribed threshold.

Student Aid in Action: Examples

To illustrate how the Canada Student Loans Program works in unison with participating provincial and territorial systems, the following scenarios are presented from the point of view of three prospective student assistance clients who are exploring their financial options for post-secondary education. The intention is to show the process they would go through as they gather information, estimate their costs and resources and decide whether, in both the short and long term, they can afford to enrol. The focus is also on the sources of information and the tools that are available to help them make informed choices.

These examples were developed using the Student Need Assessment Software publicly available on the Internet. They reflect need assessment criteria and aid amounts current as of fall 2000.

Andrea: *Living at Home with Parents*

It is April, and Andrea will soon be graduating from a Kingston, Ontario high school. She has applied for entry to the four-year Arts program at nearby Queen's University in September, but isn't sure she can afford to go. She has some savings and a summer job lined up and expects to continue working on a reduced schedule through the academic year. Even though they both work, her parents are certainly not affluent — and this year they will have three children, including Andrea, living at home and attending university.

To help make a realistic assessment of her financial situation, Andrea logs on to the HRDC CanLearn Interactive Web site (www.canlearn.ca) for information about the availability of student loans. How much can she expect the academic year to cost? How much of her own and her parent's resources must she factor in? How much will she need to bridge the gap? And, finally, how much is she eligible to borrow?

The Student Need Assessment Software (SNAS), which she finds on the Web site, is easy to use and it takes her less than half an hour to complete the electronic forms and come up with an assessment.

She starts by identifying herself as “Single Dependant – Living at Home.” She enters the following educational costs obtained from the Queen’s University Web site:

- Tuition and compulsory fees – $4,632
- Estimated cost of books and supplies – $600

The program automatically enters a living allowance; based on Andrea’s situation, the amount is $2,989. Her total assessed costs for the study period are thus $8,239.

Andrea also enters personal and family resources that can potentially be drawn on to pay those costs:

- Her own savings of $1,000
- Expected earnings of $200 per week for 10 weeks before the study period, for a total of $2,000
- Expected earnings of $100 a week for 34 weeks during the academic year for a total of $3,400
- Parents’ combined earnings of $50,000 per year

Andrea does not own a car, has no other significant assets and has been awarded no scholarships or grants. She finds that because of their income level and their other dependants enrolled in post-secondary education, no contribution is expected from her parents.

Resources available to pay Andrea’s educational costs are assessed by the software at $4,346 (her savings plus $3,346 from her expected earnings of $5,400).

The difference between her costs and resources is her assessed need, $3,893. She learns that she can apply for a Canada Student Loan of $2,336 to cover 60% of this amount and a Province of Ontario student loan of $1,557 to cover the remaining 40%.

The software also shows that if her situation remains the same, and she continues to borrow at the same rate, she will owe a total of approximately $15,600 in Canada and Ontario student loans by the time she graduates four years from now.

While she is in school, the federal and provincial governments will pay the interest on her loans. Six months after she graduates she will be expected to begin repaying them. The Student Loan Repayment Calculator shows that, assuming a 10% interest rate over a period of 10 years, her monthly payments after graduation would be about $200.

Andrea now has a realistic picture of her financial prospects for attending university, and a basis for making informed choices about her future. Like thousands of other students who need help financing their post-secondary education, she decides that applying for a Canada Student Loan makes sense.

Boris:

Single and Independent – Studying in Another Province

Boris has just graduated with a bachelor's degree in Electrical and Computer Engineering from the University of Manitoba. To complete his undergraduate degree, he took out student loans every year to help meet the cost of his education, so he is familiar with the system.

This year, however, Boris' situation will change considerably. First, he will be living away from home while at the University of New Brunswick, where he has been accepted into a two-year master's degree program. Second, since he has now been out of high school for four years, he is considered independent for purposes of student aid. This means that a contribution from his parents' income will no longer be factored into his educational resources.

To get a realistic estimate of how much he is eligible to borrow this year, he uses the HRDC Student Need Assessment Software (SNAS). He identifies himself as Single Independent – Living Away from Home.

The program prompts him for the cost of tuition and compulsory fees — $3,914 — and of books and supplies, he estimates $1,000.

The software shows him as eligible for a living allowance of $5,733, and other allowable costs of $1,800 to cover relocation and one trip back to Manitoba during the academic year.

According to this estimate, his educational costs for the year will total $12,533.

Under resources, he lists the value of his car as $7,000 and shows $8,000 he expects to receive in earnings from a summer job with an engineering firm. He does not plan to work during the academic year. At this stage in his education he has no savings.

The assessment shows that he is expected to contribute $6,712 of his own resources to his educational costs; $2,000 from his car as an asset (its value in excess of $5,000) and $4,712 from his summer earnings.

His assessed need is his costs minus his resources, or $5,821. He is potentially eligible for a Canada Student Loan of $3,493 to cover 60% of that sum, and for a provincial student loan of $2,328 from the Manitoba student assistance program to cover the remaining 40%.

With the roughly $4,000 in loans he has already accumulated plus these amounts, he will owe a total of just over $9,800 in student loans by the end of this year. If his situation remains unchanged and he takes out similar loans for his final year, he will owe a total of about $15,600 in federal and provincial student loans when he graduates.

To understand what this debt means to his financial future, Boris clicks on the Student Loan Repayment Calculator. He sees that, assuming a 10% interest rate, he would be making payments of about $200 per month for 10 years.

He knows that job prospects are good for electrical and computer engineers and, since he can expect a starting salary of around $40,000 a year, he would be able to manage the payments without hardship. He might even be able to make larger monthly payments and reduce the total amount paid.

Boris needs to take one more step to get his finances in order for the coming year. To maintain his interest-free status, he must provide the financial institution holding his previous student loans with a valid Confirmation of Enrolment, thus ensuring that the government continues to pay the interest while he is in school.

Corinne: *Working Parent*

Corinne is a single mother with two children, aged 5 and 9. She graduated from a Sydney, Nova Scotia high school 12 years ago and has been working as an aide in a residential home for the elderly for the past few years. She hopes to get a better job at the home or elsewhere if she upgrades her skills by taking the one-year Community Residential Worker diploma course offered at the nearby college.

She knows she can’t afford it on her own, especially since she will have to drop back to working part-time during the course, but she also knows there is help available for people in her situation. She goes to her local library and logs on to the HRDC CanLearn Interactive Web-site to find information on Canada Student Loans. She then uses the Student Need Assessment Software to arrive at realistic estimates of how much money she will need to get through the year, how much of her own resources she will be expected to devote to her education and how much she will be able to borrow.

She identifies herself as a Single Parent. She is prompted to enter her educational and related costs:

- Tuition and compulsory fees – $1,750
- Books and supplies – $500
- Child care – $3,000 (for the 40 weeks she is at college she will pay a neighbour $75 per week to look after her children before and after school and during holidays)

The program sets her student living allowance at $16,660 (this includes the cost of “extended local transportation during the study period”). Her costs for the study period thus add up to $21,910.

She is then asked to list her resources:

- Income for 17 weeks prior to the study period – $6,800
- Income during the 40- week study period – $8,000
- Net worth of RRSPs – $4,000
- Other assets – $3,500 in savings

In the resulting assessment, her pre-study income and RRSPs are not factored in as resources available for her education because both fall below the maximum allowable amount. Her personal contribution is expected to be her savings plus $5,348 from income earned during the study period, or $8,848.

Her assessed need, the difference between her costs and her resources, is $13,062. She is eligible for the maximum amount in loans, $6,600 ($165 per week for the 40 weeks of her course) from the federal government and $4,400 from the Government of Nova Scotia — a total of $11,000.

Corinne must find $2,062 more in assistance before she can realistically plan to enrol in college. As a full-time student with two dependants and an assessed need in excess of $275 per week, she qualifies for a Canada Study Grant of $40 per week, or $1,600 for the 40-week school year.

Now she is short by only $462, an amount she expects to make up through assistance from the Nova Scotia Child Benefit program.

The remaining question for Corinne is whether she can afford to take on the debt. The Student Loan Repayment Calculator (part of the Student Need Assessment Software) shows that, assuming a 10% interest rate, her monthly payments would be just under $150 per month ($1,800 per year) over a period of 10 years.

Since the diploma would qualify her for a better, more secure, job that should pay about $5,000 per year more than her present one — and offer improved prospects for advancement — she decides that investing in her own education is the right choice.

ANNEX B: THE EVOLUTION OF FEDERAL STUDENT AID

The Government of Canada has been helping Canadians gain access to post-secondary education since loans to assist disabled veterans attend university were introduced in 1919. These were followed in 1939 by the Dominion-Provincial Student Aid Program (DPSAP), which provided matching grants to any province that established a program of student assistance based on academic merit and financial need.

The Canada Student Loans Program (CSLP) replaced the DPSAP in 1964. Under the new program, banks and credit unions made loans to students in amounts determined according to a standardized assessment of student need, while the Government of Canada guaranteed the loans in case of death or default. The delivery of the program was undertaken by provincial governments, which also provided a significant amount of student aid of their own.

Quebec, and later the Northwest Territories,[23] chose not to participate in the program. In return, these jurisdictions received an alternative payment from the federal government to assist them with the cost of operating their own similar programs.
Apart from a reform in 1983 that saw the introduction of the Interest Relief Plan and of loans for part-time students, the basic elements of the program remained essentially unchanged through the 1970s and 80s. By the early 90s, however, the CSLP structure was in need of revision.

Accordingly, in 1994, new arrangements between the Government of Canada and participating jurisdictions were introduced. In addition, the weekly loan limit (which had remained frozen since 1984) was raised substantially. At the same time, the need assessment methodology was revised to take account of the circumstances in different provinces.

Non-repayable assistance was introduced at this time in the form of Special Opportunity Grants (later renamed Canada Study Grants). The first of these were designed for students with disabilities and the program was later expanded to include high-need part-time students, female doctoral students in certain disciplines and students with dependants.

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23 Nunavut has also chosen not to participate.

There was by this time growing public concern regarding rising student debt. The increase was due primarily to three factors: rising tuition fees, which increased student financial need; higher federal and provincial loan limits, which allowed some students to obtain larger student loans each year; and the trend for provinces to replace their former non-repayable grant programs with loan programs.

In response, in 1998 the Government of Canada introduced a series of measures to ease the burden of repayment. The period of Interest Relief available to borrowers encountering difficulty due to unemployment was extended. A new Debt Reduction in Repayment measure was also introduced to assist borrowers unable to repay loans due to a combination of high debt and low income over a long period of time. The Government also improved the system of tax credits for post-secondary education and strengthened Registered Education Savings Plan arrangements.[24]

24 The most recent major change in the program came on August 1, 2000, when a new system of directly financed loans was introduced. The new arrangement replaces the previous arrangement with financial institutions for the administration of Canada Student Loans, which was not renewed because too few financial institutions showed an interest in continuing to participate. As a consequence, new loans will be repaid to the Government of Canada. Loans issued prior to August 1, 2000 will continue to be repaid to the financial institution whichthat issued them.

ANNEX C:
STUDENT AID IN OTHER COUNTRIES

Student financial assistance in one form or another is a feature of post-secondary education systems around the world. To gain insight into the approaches taken elsewhere, the Canada Student Loans Program undertook a review of the student aid programs of nine other members of the OECD: Australia, Denmark, France, Germany, Norway, New Zealand, Sweden, the United Kingdom and the United States. The information gathered in the study generally pertains to 1999.

The following is a very brief and mainly qualitative summary of some of the findings of the review; the full report is available on request.[25]

Tuition Fees

Among the countries studied, a basic difference in the approach to financing post-secondary education and providing aid to students concerns whether or not tuition fees are levied. In many of the European countries examined, specifically Denmark, France, Germany, Norway, and Sweden, students do not pay tuition fees, although in some cases they must pay a registration fee.

Students must normally pay tuition fees in Australia, New Zealand, the United Kingdom, and the United States. In the United States, private colleges and universities play an important part in the post-secondary education system and often charge fees that are much higher than typical fees in other countries; however, the fees charged for U.S. public colleges and universities are generally much lower, at least for residents of the state.

Australia is unique in that under the Higher Education Contribution Scheme (HECS) all students enrolled in a postsecondary education program are liable for a contribution based on the number of courses they take. The requirement to pay these fees however is deferred until after completion of studies, at which point the rate of repayment is based on current income (see below).

Eligibility

Citizenship: In all countries studied, citizenship is normally a basic eligibility requirement for student financial assistance.

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25 The report *International Student Loan Programs: Comparison of the Programs* is available from the Canada Student Loans Program at the addresses shown at the beginning of this document.

Full-Time vs. Part-Time Studies: Some countries, such as New Zealand and the United Kingdom, require full-time enrolment in a program of studies, while in Norway and Sweden only 50% of the regular course load is necessary to qualify. In Denmark, France, Germany and the United States, a student can receive student financial assistance either for full-time or part-time studies, regardless of the percentage of course load taken.

Age: Some countries set upper or lower age limits on eligibility for student aid. In Denmark and New Zealand, students must be at least 18 years of age to receive student financial assistance, but there is no upper age limit. In some other countries, students must be under a specified age to be eligible; in Germany, the upper limit for initial application is 30 years of age, while it is 45 years in Sweden and 50 years in the United Kingdom.

Interest

In Australia, France and Germany, loans are interestfree while the student is in school and after completion of studies.

In New Zealand, Norway and the United States, no interest is charged while the student is in school, but interest starts to accrue upon termination of studies. The interest rate in these countries varies from 6.5% in Norway, to 7% in New Zealand, to between 8.25% and 9% in the United States.

Some countries, notably Denmark, Sweden and the United Kingdom, charge interest on student loans from the day the funds are disbursed. In Denmark the interest rate is lower while the student is in school (4%) than after completion of studies(4.5%), while it remains the same throughout in Sweden (4.1 %) and the United Kingdom (2.1 %). It is noteworthy that the countries that charge interest from the time the loan is issued generally set substantially lower rates than those that defer interest, thus to some extent equalizing the cost.

Repayment

In countries with traditional repayment plans, payments may be made monthly (as in Denmark and France) or quarterly (as in Norway). Usually, a minimum payment is set, based on the outstanding amount of the loan. In France, however, the student can decide the amount of the monthly payment, as long as the loan is repaid within a set period of time. Students have up to 10 years to repay their loan in France, 15 years in Denmark, and 20 years in Norway (where all loans must be repaid by the age of 65).

In countries that have adopted loan systems based on income contingent repayment (ICR), borrowers must, after completion of their studies, contribute a certain percentage of income towards repayment of the loan, with the percentage often varying according to income level. In particular, there is usually an annual income threshold below which no repayment is required.

In the United States, students have four options as to how they can repay their loan, each with a different repayment process and time limit. Time limits vary from 10 to 30 years, depending on the plan the student chooses. One of the options involves income contingent repayment.

Among the ICR countries studied, Australia, New Zealand, Sweden and the United Kingdom impose no maximum time to repay the loan. In Germany, the time limit is 20 years, and in the United States, the time limit for the ICR plan is 25 years, after which the loan is written off.